

Idaho Legislative Audits  
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Superintendent of Public Instruction  
Department of Education

Management Report on Financial Procedures

Issued: May 12, 2005  
Fiscal Year: 2002, 2003, and 2004



## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

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### SUPERINTENDENT OF PUBLIC INSTRUCTION DEPARTMENT OF EDUCATION

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**PURPOSE AND SCOPE.** We have completed certain financial audit procedures on the Office of the Superintendent of Public Instruction/Department of Education's financial activities that occurred during the fiscal years ended June 30, 2002, 2003, and 2004. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. In addition, appropriate procedures and required tests were made in order to issue the federally required *Single Audit Report*.

**CONCLUSION.** Based on the limited procedures applied, we conclude that the financial operations of the Department meet acceptable standards. Further, the Department substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance. Although the report contains no findings and recommendations, we made other minor suggestions to improve internal control, ensure compliance, and improve efficiency.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report.

**PRIOR FINDINGS AND RECOMMENDATIONS.** The prior report contained two findings and recommendations. The Department has addressed these issues as explained below.

**Prior Finding #1.** The Department's compensatory time policy and practice for non-classified professional staff did not agree with Idaho Code. Idaho Code, Section 59-1607(3)(e) states that non-classified officers and employees at the Department, as included in the definition of Idaho Code, Section 67-5303(j), are ineligible for cash compensation or compensatory time for overtime work. The Department's policy allowed non-classified professional staff to accrue compensatory time, but it was not recorded in the State payroll system. We recommended that the Department review Idaho Code and modify its compensatory time policy related to non-classified staff. We also recommended that all overtime worked and taken be recorded in the State payroll system.

All outstanding compensatory balances were loaded into the State payroll system in September 2002. Overtime accruals and compensatory time taken is now recorded on time sheets and formally recorded in the State payroll system. **CLOSED**

**Prior Finding #2.** The Department did not have a policy to manage cellular phone usage or costs. The Department began using cellular phones so employees who travel heavily can remain in contact with their office. Cellular plans are not reviewed to determine if the level of usage meets the Department's business needs. We recommended that the Department formalize a policy regarding the purchase of cellular phone plans to minimize both costs and monitoring effort. The Department changed its policy to allow users a reimbursement up to \$30 a month plus roaming fees and long distance charges, if the calls are business related. **CLOSED**

**AGENCY RESPONSE.** The Department has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

The Department's Endowment Earnings Fund receives statutory transfers from the State General Fund for public school financing, school technology programs, limited English proficiency, reading improvement, teacher mentoring, least restrictive environment, gifted and talented students, reading initiative, public facilities studies, teacher national certifications, teacher incentive awards, and the Comprehensive Literacy Act. The fund also receives money from interest earnings, land rental, tobacco tax, liquor tax, penalties, and miscellaneous sources. The following summary of the Endowment Earnings (Public Schools) Fund for fiscal years 2002, 2003, and 2004 is presented on a cash basis. We have reconciled Fund 0481 expenditures to the appropriations for the Public Schools Division of administrators, teachers, operations, children's programs, and facilities for fiscal year 2004.

**SUPERINTENDENT OF PUBLIC INSTRUCTION/DEPARTMENT OF EDUCATION**  
**ENDOWMENT EARNINGS (PUBLIC SCHOOLS) FUND 0481**

	FY 2002	FY 2003	FY 2004
Beginning Cash Balance	\$3,839,809	\$6,218,453	\$4,162,725
<u>Receipts and Transfers</u>			
Public Schools (General Fund)	878,645,600	896,325,000	923,883,926
School Technology (General Fund)	10,400,000	8,400,000	8,400,000
Achievement Standards Implementation (General Fund)	8,000,000	4,000,000	1,000,000
Limited English Proficiency (General Fund)	4,575,000	4,475,000	4,475,000
Teacher Support (General Fund)	2,000,000	2,000,000	0
Least Restrictive Environment (General Fund)	1,000,000	1,000,000	1,000,000
Gifted and Talented Students (General Fund)	600,000	500,000	500,000
Reading Initiative (General Fund)	4,000,000	3,300,000	3,300,000
Innovative Teacher Awards (General Fund)	425,000	0	0
Endowment Interest Earnings	176,024	266,731	265,062
Endowment Fund Investment Board	46,189,564	45,494,000	53,150,000
Tobacco Tax	4,701,454	4,851,742	4,773,650
School Land Leases and Rentals	1,694,662	1,816,356	1,986,739
Liquor Tax	1,200,000	1,200,000	1,200,000
Motor Vehicle Fines (ITD)	1,035,231	1,036,342	983,181
Idaho Digital Learning Academy (General Fund)	0	0	450,138
School Restructuring Research and Development	165,146	69,757	116,975
Public Education Stabilization Fund	0	0	7,135,000
Miscellaneous	283,351	296,783	291,690
Total Receipts and Transfers	\$965,091,032	\$975,031,711	\$1,012,911,361
Total Funds Available	\$968,930,841	\$981,250,164	\$1,017,074,086
<u>Disbursements and Transfers</u>			
School Apportionment	\$927,087,788	\$948,775,489	\$964,876,293
School Restructuring Research and Development	20,600,000	15,275,000	10,275,000
School Technology	10,400,000	8,400,000	8,400,000
Tobacco Tax (Substance Abuse)	4,624,600	4,636,950	4,477,619
Idaho Digital Learning Academy	0	0	450,000
Total Disbursements	\$962,712,388	\$977,087,439	\$988,478,912
Ending Cash Balance	\$6,218,453	\$4,162,725	\$28,595,174

The administrative funds below support the Department's administrative operations and programs in local school districts. The primary source of the funds is the State General Fund, the federal government, and the State Lottery Commission. Total costs for fiscal year 2004 include personnel costs of \$7,413,918, operating costs of \$11,198,714, capital outlay costs of \$704,760, and trustee and benefit payments of \$164,114,882. The following schedule summarizes the Department's other cash basis financial activity for fiscal years 2002, 2003, and 2004.

**SUPERINTENDENT OF PUBLIC INSTRUCTION/DEPARTMENT OF EDUCATION  
ADMINISTRATIVE FUNDS**

**Fiscal Year 2002**

Fund No.	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Plus / Minus Transfers	Less Disbursements	Ending Appropriation / Cash Balance
<b><u>Fiscal Year 2002</u></b>						
0001	General Fund	\$5,581,041	\$5,725	\$0	\$5,505,206	\$81,560
0125	Indirect Cost Recovery	347,482	452,304	0	395,351	404,435
0315	School District Building Fund (Lottery)	351,159	71,862	7,299,401	7,652,043	70,379
0319	Driver Training Fund	1,860,366	127,137	1,780,500	1,848,404	1,919,599
0325	Public Instruction Fund	285,439	591,351	0	492,379	384,411
0348	Federal Fund	(1,095,585)	122,759,966	0	120,907,308	757,073
0349	Miscellaneous Revenue	217,524	5,076,842	(282,445)	2,161,574	2,850,347
0418	Liquor Control - Facility Reserve	0	558	0	0	558
0480	Data Processing Services Fund	42,316	89,751	0	92,593	39,474
0492	Loss Recovery Fund	18,797	2,682	0	0	21,479
	Totals	<u>\$7,608,539</u>	<u>\$129,178,178</u>	<u>\$8,797,456</u>	<u>\$139,054,858</u>	<u>\$6,529,315</u>

**Fiscal Year 2003**

Fund No.	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Plus / Minus Transfers	Less Disbursements	Ending Appropriation / Cash Balance
<b><u>Fiscal Year 2003</u></b>						
0001	General Fund	\$5,285,300	\$2,196	\$0	\$5,042,030	\$245,466
0125	Indirect Cost Recovery	404,435	454,329	0	342,329	516,435
0315	School District Building Fund (Lottery)	70,379	69,966	9,000,000	9,094,491	45,854
0319	Driver Training Fund	1,919,599	137,768	2,277,002	1,968,773	2,365,596
0325	Public Instruction Fund	384,411	802,299	0	664,827	521,883
0348	Federal Fund	757,073	141,625,377	0	142,472,430	(89,980)
0349	Miscellaneous Revenue	2,850,347	654,199	(311,310)	2,337,277	855,959
0418	Liquor Control - Facility Reserve	558	(558)	0	0	0
0480	Data Processing Services Fund	39,474	40,335	0	56,055	23,754
0492	Loss Recovery Fund	21,479	4,069	0	0	25,548
	Totals	<u>\$11,733,055</u>	<u>\$143,789,980</u>	<u>\$10,965,692</u>	<u>\$161,978,212</u>	<u>\$4,510,515</u>

**Fiscal Year 2004**

Fund No.	Title	Beginning Appropriation / Cash Balance	Plus Receipts	Plus / Minus Transfers	Less Disbursements	Ending Appropriation / Cash Balance
<u>Fiscal Year 2004</u>						
0001	General Fund	\$5,130,900	\$822	\$0	\$5,130,900	\$822
0125	Indirect Cost Recovery	516,435	389,660	0	390,955	515,140
0315	School District Building Fund (Lottery)	45,854	924	10,250,000	9,250,000	1,046,778
0319	Driver Training Fund	2,365,596	131,401	2,398,404	1,926,651	2,968,750
0325	Public Instruction Fund	521,883	921,441	0	803,707	639,617
0348	Federal Fund	(89,980)	159,996,473	0	160,177,755	(271,262)
0349	Miscellaneous Revenue	855,959	6,050,043	(326,826)	5,663,560	915,616
0480	Data Processing Services Fund	23,754	97,863	0	88,746	32,871
0492	Loss Recovery Fund	25,548	1,653	0	0	27,201
Totals		\$9,395,949	\$167,590,280	\$12,321,578	\$183,432,274	\$5,875,533

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Office of the Superintendent of Public Instruction/ Department of Education and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the Superintendent of Public Instruction, Dr. Marilyn Howard, and the Department of Education staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits  
Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC17004/CA17004/SA17004

<p>For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.</p>
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